



## Community Development Block Grant (CDBG) Redesign Working Group

### Summary of Meeting

November 17, 2017

10:00 am – 3:00 pm

**Participants:** Lorie Adams, Amy Bergstrand (phone), Esperanza Colio (phone), Terry Cox, C.J. Freeland (phone), Rachelle Kellogg, Susan Long, David Loya, Heather MacDonald, Robert Mansfield, Jennifer Owen (phone), Mary Pitto, Paul Ramey, Meagan Tokunaga (phone), Chris Westlake, Kathleen Weissenberger (phone), Nuin-Tara Key  
HCD: Jeri Amendola, Harrison Anixter, Max Emami, Cheryl Jeffreys, Megan Kirkeby, Nicolás McCay, Paul McDougal, Jim Miwa, Diane Moroni, Ginny Puddefoot, Karen Patterson, Leticia Ramos, Gwyn Reese, Patrick Talbott, Chris Webb-Curtis

### Agenda Items

#### **Welcome and Introductions**

#### **Follow-up from October 6 meeting**

The group approved the summary of the October 6 meeting. There was a request that documents be sent a week in advance of any meeting of the RWG. It was agreed that, as indicated in the discussion about the charter, documents would be sent at least 72 hours in advance of a meeting in one single e-mail. Circumstances prior to this meeting required that some documents be sent with less notice; however, HCD will continue to stick to the 72-hour window as the standard.

There was a request that meetings begin at 9:30 instead of 10 and end at 2:30 instead of 3. For the second of the two-day meeting in December, it was agreed that on the second day, we would begin at 9:30. Otherwise, the meeting time will not change.

#### **State Policy Objective Presentations**

Nuin-Tara Key from the Governor's Office of Planning and Research spoke about Disaster Resiliency, its derivation, and its applicability in execution of a grant program like CDBG. The presentation was thorough and allowed for questions at the end.

Megan Kirkeby from HCD's Division of Housing Policy Development spoke about Access to Opportunity, how it is measured, and how it can be considered in funding decisions. This presentation was also thorough and allowed for question and comments at the end. There was a discussion about whether poverty rate reflects community need, how effective the CalEnviroScreen is since it does not provide measurement in 30 rural (and disadvantaged) counties, how difficult it is for developers to do a small rental project to meet the need in rural areas, and that long terms of affordability are a further disincentive to developers. It was suggested that in the redesign of CDBG in the area of rating and ranking, the RWG should

consider a menu approach to points in some areas. Megan also made available a sign-up list for those interested in participating in HCD's Analysis of Impediments to Affirmatively Furthering Fair Housing. Three people signed up to receive information about continued work in this area.

### **RWG Subgroups Update**

Susan Long reported out that the Expenditure Improvement subgroup has met twice by phone. Jeff Lucas was not present, but others reported that the Economic Development subgroup has not yet met. Terry Cox and the Program Income subgroup has met and will be meeting again. Terry has requested information from HCD, most of which will be provided soon. The December 7 and 8 meeting was scheduled as an opportunity for the subgroups to report back recommendations regarding their specific areas; however, there may not be enough to report.

### **Staff Training**

Ginny Puddefoot reported that CDBG staff will receive a two-day training module on Economic Development in December as required by SB 106. Steve Sachs will be providing the training through Cloudburst.

### **Emergency Notice of Funding Availability (NOFA)**

Ginny Puddefoot reported that staff have received approval to move forward with three strategies simultaneously to get a NOFA out to those communities affected by the recent fires. 1) HCD will prepare an emergency NOFA; 2) HCD will reach out to jurisdictions affected to suggest they repurpose Program Income or grant funds to support recovery efforts; and 3) those grantees not affected by the fire but with unspent Program Income or grant funds will be provided incentive through the rating process in the next general NOFA if those funds are returned to HCD for distribution to the affected communities.

It was suggested that HCD reach out to more people who are affected to discuss the strategy and that there be an effort to coordinate with other agencies on environmental requirements. It was also suggested that this strategy be discussed by the CDBG Advisory Committee.

### **Technical Assistance through the U.S. Department of Housing and Urban Development (HUD)**

Karen Patterson reported on the latest information from the HUD Technical Assistance Memorandum of Understanding (MOU). HUD's contractor, Enterprise Community Partners (Enterprise), will begin identifying grantees to talk with in the near future. In a phone meeting prior to the RWG meeting on November 17, HCD was informed that Enterprise plans to talk with approximately 35 to 40 grantees to determine how things are working in their communities. Lorie Adams reported that Hollister is on their list; however, Hollister is planning to draw down their grant funds imminently. Enterprise has started work on the comparison between federal and State rules.

At the same time that Enterprise is doing its work on the MOU, ten people from HUD in the Denver office will be monitoring HCD from November 27 to December 1. Next week, HUD will be providing “basically CDBG” training of HCD staff followed by an IDIS training. HUD is also monitoring NSP, but will focus primarily on CDBG.

### **Other States’ Presentations**

Three states joined the RWG by phone along with Kathleen Weissenberger of Enterprise. Donna Enrico from Pennsylvania (PA) described PA’s program and their experience with an MOU with HUD to improve their expenditure rate. There were 14 findings, including lack of oversight of subrecipients. They looked at processes and recommended a more simple approach to CDBG program operation. One recommendation was to move CDBG staff to focus exclusively on CDBG, which has allowed staff to focus on providing technical assistance.. Another recommendation was to fund a smaller number of projects that demonstrated readiness. And a third recommendation was to move to four-year contracts instead of five, which means three years to implement and one year to close out. There are very few extensions. Some additional changes include an annual training/conference where they showcase best practices and a mandatory one-day training on environmental clearance for all grantees. PA pays for this out of their two percent administration funds. Donna said they are barely squeaking by using their administration funds and the required match. The conference is offered by a third party and a nominal fee is charged to cover the facility and other expenses.

Donna explained that the state program provides funds distributed 85 percent to “state” entitlement jurisdictions, 13 percent to competitive applications, and 2 percent for administration. The entitlement program does not provide much flexibility, but it develops local capacity. There is a PA state law that prohibits the program from being more restrictive than the federal program. Another question was about how Program Income (PI) was accumulated and how it was tracked. Donna explained that there is not much PI in PA because not many activities generate PI. In addition, the state program’s entitlement jurisdictions in PA can keep their PI. She invited any additional questions via e-mail. Donna reported that very little Economic Development is done in PA with CDBG funds. Business ventures can find less expensive rates elsewhere. And finally, Donna was asked about what single change really made a difference in their expenditure rate; and she responded by saying that the initial review of any application has to include commitments for any other funding (if needed), that the applicant has capacity, and that the project is ready to go. PA does not extend contracts beyond three years and grantees are required to repay if they have not completed their projects at the end of the three years.

Becky Baxter and Fumi Schaadt from Oregon (OR) reported that their expenditure rates were “bad” and they have made changes for 2018. Public utility projects must be completed within 24 months; public works have two years for design plus two years for project completion; and by “front loading” the process, they have built into the application process bonus points for readiness.

OR has four priority funding areas: Public/community facilities (food banks, homeless shelters, etc.), public works, microenterprise assistance/public service, and housing rehabilitation. OR does an intake form first, which is reviewed for threshold; then applicants receive an invitation to apply. In 2018, the state will be shifting to an electronic application process and there will be no back and forth exchanges between the state and applicants. Projects are required to have any additional required funds committed at application. For homeowner rehabilitation projects, the state uses a third-party nonprofit organization as a subcontractor and the nonprofit makes the loans. Homeowners contract directly with the contractor doing the work, leaving the state out of that loop, which means the federal procurement rules do not apply. These organizations are organized as 105(a)(15) entities that must apply for certification at the state every five years. In part because OR uses the 105(a)(15) entities, the state has \$0 program income. The state stays in close contact with these currently 15 organizations. Their funds can be used for three things: neighborhood revitalization, energy conservation, and community economic development projects.

Kathleen Weissenberger reported that many states have shifted readiness requirements at application.

The original Nevada (NV) speaker, Jean Barrette, was not able to arrive back in her office from the airport in time to participate. Her colleague, Jessica Sanders, was able to provide information. She explained that Carson City is the only sizeable non-entitlement jurisdiction in NV. All the other jurisdictions are smaller and very rural. There were 32 projects done in 2011, now there are 17 to 18 projects a year. NV's recent applications have been submitted using ZoomGrant for an initial eligibility application, which started July 1 and ended in October—over which period the state worked with the applicant to make sure the request is viable.

Most applications are for public facilities and planning. The first draw must occur as follows in nine months; and construction projects must be completed in 18 months, planning projects must be completed in 12 months.

Kathleen clarified that a state can do “planning only” grants using their 20 percent for planning and administration. Each time, the activity studied must meet National Objectives—even if just doing planning and even if the activity itself never comes to fruition. Further, Kathleen reported that it is possible for a jurisdiction to pay for environmental clearance so that an application can show readiness through consideration of that payment as a “pre-agreement cost.”

## **State Budget and Administrative Rules**

Ginny Puddefoot briefly discussed two areas that have come up in previous meetings to clarify the State's position: 1) When it is appropriate to share legislative proposals and 2) how much personnel information can be shared with the general public. With regard to legislative proposals made by the Administration—especially as part of the State budget, any proposals cannot be discussed until the proposals are made public. It is hoped that in the future, communication channels will be open between HCD and the CDBG RWG and

Advisory Committee that anticipate any proposals so that there will not be surprises in the future. With regard to personnel information, there is a limit to what can be shared given human resources rules and practices.

### **Next Steps**

There was a request that HCD would supply more clarity about expectations for the RWG subgroups. HCD agreed to clarify timing for the side-by-side comparison of the federal rule and the State regulations to be provided by Enterprise. If it is available by the December 7-8 meeting, we should proceed with the meeting.

It was agreed that the meeting on December 7 will start at 10 a.m. and go to 5 p.m. The December 8 meeting will start at 9:30 a.m. and go to 4:30 p.m.